

Commission Opinion on Greek application for membership of the European Communities (29 January 1976)

Caption: On 29 January 1976, the European Commission delivers its opinion on the application for membership of the European Economic Community (EEC) by Greece.

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Opinion on Greek application for membership (transmitted to the Council by the Commission on 29 January 1976)

Part I - General considerations

1. At its session on 24 June 1975, the Council of the European Communities asked the Commission to submit its opinion on the Greek application for membership of the EEC, the ECSC and the Euratom, according to Articles 237, 98 and 205 of the respective Treaties. In order to formulate its opinion on the Greek applications, the Commission has undertaken a first examination of the economic and technical questions which the entry of Greece into the Community might raise. This examination has revealed that in a number of areas it is not possible before more information has become available to arrive at a clear picture of all the technical and economic problems which might arise, either with regard to the factual situation or with regard to the way in which solutions to specific problems might be sought in negotiations. For this reason, the Commission might wish to present supplementary information and evaluations at a later stage.

In addition to the general and specific economic questions relating to the enlargement of the Community, an opinion on the Greek application for membership must take account of certain wider issues of a political and economic nature including the problems related to the situation in the Eastern Mediterranean as well as to the prospect of further enlargements of the Community.

[...]

4. It is the first time that the European Community has been presented with an application for full membership from a country with which it already has close contractual links. This relationship is defined in the Association which was created between the EEC and Greece in 1962, covering not just trade policy but a whole series of steps that were to be undertaken to ensure Greece's progressive integration into the entire fabric of Community life. In particular, the Athens agreement was explicitly aimed at paving the way for eventual full membership.

Fourteen years later, in the aftermath of fundamental changes in its political and economic situation, Greece has decided that it is now in a position to move on to this final stage in its relations with the Community.

Given the avowed aims of the Community in establishing the Association, and Greece's return to a democratic form of government, there can be no doubt, in the view of the Commission that the Community must now give a clear positive answer to the Greek request.

5. The Greek application for membership in the timescale currently envisaged, that is without first waiting for the full implementation of the present Association, necessarily raises a complex of issues which need to be identified for they entail important consequences for both Greece and the Community, and, taking a positive verdict on the principle of membership as the starting point, this paper proposes certain guidelines for approaching these problems.

Eastern Mediterranean

6. The prospect of Greek membership raises the problem of the disagreements between Greece and Turkey, an Associate country whose agreement with the Community also has full membership as its stated final objective.

The European Community is not and should not become a party to the disputes between Greece and Turkey.

The Commission is consequently of the opinion that the European Community should urge upon Greece and Turkey the need for them to reach just and lasting solutions to the differences which separate them. The Community should consider what part it could play, in parallel with the preparatory work for Greek accession, to facilitate this process. It is evident that the success of these initiatives does not depend on the Community alone, and it would therefore be inappropriate for the decision on Greek membership to be

dependent on it.

7. Until now the balance in the Community's relations with Greece and Turkey has found its expression in their identical status as Associates, both of them with the possibility of full membership as the final objective, albeit with different timetables.

Unavoidably the prospect of Greek membership of the Community introduces a new element in this balance.

In the view of the Commission specific steps will need to be taken to give substance to the Council's declaration of 24 June 1975, to the effect that the examination of the Greek application for membership will not affect relations between the Community and Turkey and that the rights guaranteed by the Association Agreement with Turkey would not be affected thereby. The Commission will in due course submit separately its proposals on how this should be done.

Economic implications of Greek accession

[...]

9. The Greek economy at its present stage of development contains a number of structural features which limits its ability to combine homogeneously with the economies of the present Member States. In particular, the relative size of the agricultural population, the structure of Greece's agricultural industry, and its relatively weak industrial base call for structural changes for which the Community will have to bear a share of the cost. Transfers of resources will need to take place, and the order of magnitude will be related to the time foreseen for these adjustments.

10. As to the budgetary implications of eventual enlargement, the present opinion cannot be specific if for no reason other than that too much uncertainty surrounds the timing and breakdown of individual components of revenue and expenditure. Many of the necessary projections can only usefully be made when detailed negotiations have shed more light on the kind of arrangements that may be concluded. And no figures given now can take into account the possible evolution of the Community's own policies and the dynamic effects of Greek membership on these policies.

But to indicate the orders of magnitude which may be involved, the Commission has made some purely illustrative calculations of revenue and expenditure. These are based on the Community budget for 1976, and the full application (at current prices and exchange rates) of the policies underlying the budget to Greece (as expenditure additional to the 1976 budget).

The estimated overall result would be an increase in expenditure of the order of 450 million units of account, or about 696 of the 1976 budget of the Community of Nine. The estimated overall increase in revenue (own resources and contributions) would be of the order of 150 million u.a., leaving a net additional annual cost of some 300 million u.a.

These illustrative figures are based on a simple application of the Community's current policies, and do not therefore fully take into account the actual financing requirements of the Greek economy alluded to above. Nor do they take into account the impact of any transitional measures on either the revenue or the expenditure aspects of the budget.

11. Where Greece is concerned it might at first sight seem that the Association Agreement, which has already brought the contracting parties a long way towards customs union, has drastically reduced the eventual economic impact of full membership. But there are certain additional aspects to which the Commission thinks it necessary to draw attention.

First, in the important area of agricultural harmonization, actual progress within the Association has regrettably been limited, largely because of the freezing of the Agreement from 1967-74. Although in 1975 the work of agricultural harmonization has been taken up again, the fact is that Greece's position is still far

from being that of a near Member State. Complex political and social considerations will mean that integration of Greek agriculture with that of the Community, whether within the framework of Association or of membership, will take time: and the faster the process, the greater the cost.

Secondly, in recent times the Community has granted various forms of preferential access to its market to a wide range of countries, be it in Europe, in the Mediterranean, or elsewhere. These are obligations which do not affect Greece as an Associate, but which it would have to assume as a member.

12. So long as Greece is not a member of the Community the kind of difficulties that might arise from the necessary structural changes mentioned in paragraphs 9 and 11 above could be dealt with more easily. Thus Greece is currently to a great extent free to conduct its trade policy towards third countries. Even with regard to trade with Member States, special mechanisms could be allowed if grave difficulties were to arise.

In the case of full membership, however, the same degree of flexibility could not be allowed without disrupting the common market. Everything possible should of course be done to avoid such a risk, especially in view of the likelihood of further applications for membership from countries in a similar economic position to that of Greece, for whom the arrangements concluded within the framework of Greek accession would create a precedent.

Development of the Community

13. A quite different issue raised by the prospect of Greek membership is that implied by any enlargement of the Community, namely its effect on the working methods and the future development of the Community.

The prospect of further enlargement at a time when the full consequences of the preceding one have not yet been absorbed must give rise to concern. The Commission considers therefore that any further enlargement must be accompanied by a substantial improvement in the efficiency of the Community's decision-making processes and strengthening of its common institutions.

14. Furthermore, in so far as its future development is concerned, the Community is preparing to take some important new steps on the road towards European Union comprising a whole range of political (e.g. direct elections to the European Parliament) and economic (e.g. Economic and Monetary Union) questions. On some of these matters, decisions of principle have already been taken. This on-going integration process must not be delayed by further enlargement. Indeed further enlargement calls for an acceleration of this process. Therefore the Commission believes it essential for the Community to make significant progress in its own internal development in the period leading up to enlargement.

Conclusions

15. In preparing the present opinion the Commission has been deeply conscious of the obligation that lies on the Community to find a fitting and appropriate response to the Greek request for membership. This request, coming a few months only after the restoration of democracy in Greece and enjoying the support of almost every shade of Greek political opinion, represents a remarkable affirmation by the Greek people and their leaders of the overriding importance they attach to their country being committed to the cause of European integration. It is clear that the consolidation of Greece's democracy which is a fundamental concern not only of the Greek people but also of the Community and its Member States, is intimately related to the evolution of Greece's relationship with the Community. It is in the light of these considerations that the Commission recommends that a clear affirmative reply be given to the Greek request and that negotiations for Greek accession be opened.

16. The present opinion has examined a number of difficult political and economic issues which are raised by such a decision. In the view of the Commission these should not be regarded as obstacles in the path of Greek accession, but should serve rather as a stimulus to the search for solutions and to the Community's own internal development and reinforcement. They do, however, give rise to certain considerations on timing.

The Community's experience has already shown the need for a transitional period of some years even for countries with a highly developed industrial base and an agricultural structure comparable to the other Member States. In the case of Greece, where structural changes of a considerable magnitude are needed, it would seem desirable to envisage a period of time before the obligations of membership, even subject to transitional arrangements, are undertaken. During this period, which will in any case need to be limited, it would be necessary to do much more than simply press ahead with the final stages of the development of the Association. In the Commission's view what is needed is on the one hand a substantial economic programme which would enable Greece to accelerate the necessary structural reforms, and on the other, measures to bring Greece into a closer working relationship with the Community's institutions. For example it would seem appropriate, in addition to the new financial protocol proposed under the Association, to envisage the use of certain of the Community's own existing financial instruments in Greece during this period; thus the Community could allocate in its budget special funds for Greece as an additional part of the Social, Regional and Agricultural Guidance Funds. The work of committing this expenditure could be so organized that Greece would herself participate actively in the process. In these fields, as well as possibly on others, Greece would thus be brought more and more into the working of the Community mechanisms. Moreover, it would seem also appropriate that the Member States of the Community should work out ways of bringing Greece into closer contact with the procedures of political cooperation on matters of foreign policy.

At the same time, and in parallel with the implementation of these measures, negotiations towards accession should begin with Greece, priority being given to those issues which experience in previous membership negotiations has shown to require a very considerable amount of time and effort.

17. In the event of the Council sharing the Commission's general conclusions about the Community's response to the Greek request for membership, the Commission would intend to put forward detailed proposals for the special measures to be taken with Greece during the period up to its accession.

Part II - Specific aspects of the Greek application for membership

A. The Greek economy

[...]

The years 1958 to 1973 witnessed a substantial improvement in the country's economic situation, both in absolute terms and as compared to the present Member States of the Community. This improvement was brought about through an extremely high rate of sustained growth in gross domestic product, based mainly on the rapid development of key industrial sectors, whose capital requirements were to a great extent met by foreign private investment.

The road towards industrialization taken by Greece so far has, however, raised a number of structural problems for its economy, some of which are particularly noteworthy here. Firstly, agriculture has lagged behind the boom in industrial production. Small, often unproductive holdings, difficult soil conditions, problems in applying modern technology and substantial hidden unemployment underlie this sector's relatively low share of the national product notwithstanding the high proportion of the country's active population employed in agriculture.

Secondly, industrial growth has tended to concentrate geographically, the bulk of investments centring on the Athens-Piraeus conurbation to the detriment of most of the islands and the peripheral mainland areas, thus aggravating the regional problems faced by Greece. The country's regional disparities, though in individual respects comparable to those of Italy and Ireland, may prove as a whole to be even harder to correct, particularly as a result of geographical handicaps. Moreover, Greece's overall rate of industrial growth conceals very large disparities between different industries: the metal, petrochemical and textile sectors have registered particularly dynamic performances.

Thirdly, although Greek economic development has been accompanied by a sustained deficit on visible

trade, partly explained by dependence on imported capital goods, until recently, this deficit was largely compensated by an equally sustained surplus on invisible trade, made up mostly of earnings from shipping and tourism and emigrant workers' remittances.

But now, owing partly to certain short-term changes in invisible receipts, but most particularly to the unfavourable shift in terms of trade brought about since the 1973/74 surge in oil prices, a substantial current account deficit has emerged. This deficit has not so far seriously affected the country's exchange reserves, which fell in 1974 for the first time since 1968: moreover, the burden of debt servicing is still within normal limits.

The Greek economy, particularly since 1973, has also undergone a period of high rate of inflation, which, although falling now, has not yet been brought back to a level nearer to the OECD average: should this not be achieved, the country's external disequilibrium would be further aggravated, with all the problems this entails.

An alleviation of the country's balance-of-payments difficulties may be on its way in the shape of new sources of energy. Large lignite and peat reserves, and hydroelectric power, together with recent oil discoveries, could provide the basis for new processing industries as well as earning or saving valuable foreign exchange. As yet, however, it is not possible to evaluate this energy potential with any degree of accuracy.

[...]

B. The present state of the Association

19. The economic implications of Greece's application for membership must also be measured against the current state of economic relations between it and the European Community. These relations are defined by the provisions of the 1963 Association Agreement, which was the first and most wide-ranging contractual arrangement of its kind undertaken by the Community.

The Association Agreement's main principles and provisions were modelled closely on those of the Treaty of Rome. They therefore cover not only a full customs union, which in agriculture is to be accompanied by harmonization of agricultural policies, but also several other elements of the common market such as rules of competition including those applying to State aids, free movement of persons and services, and coordination of economic policies.

However, many of the provisions of the agreement, which was intended to be fully implemented by 1984, have hardly begun to be applied at all, particularly as a result of the 1967-74 freezing of all progress on many provisions of the agreement. In several of these areas it was in any case not mandatory that the agreement be applied in exactly the same way as similar provisions of the Treaty of Rome. It follows from this that in a number of areas membership will create a completely new situation for Greece. This is for instance the case as regards the ECSC and external relations.

The development of the Association has been considerably hampered by the imbalance created between the automatic provisions relating to the customs union and the other provisions as a result of the 1967-74 freeze: more remains to be done in a much shorter time than was originally foreseen and the full implementation of the provisions of the Association Agreement could present substantial difficulties.

The customs union

20. Since 1 November 1974, practically all Greek exports to the Community and about two-thirds of Community exports to Greece enter free of duty under the provisions of the Association Agreement.

The remaining third of Community exports to Greece is governed by a timetable leading to customs union by 1984 in progressive stages: as of 1 November 1975 Greece may apply to Community exports of these

products only 56% of its 1962 duties. Greece is obliged to phase out progressively, by 1984, its remaining quantitative restrictions on imports from the Community, and neither party may invoke the general safeguard clause, void since 1970.

Under the Agreement and subsequent decisions of the contracting parties, Greece is empowered, until 1980, to reintroduce tariff duties within well-defined limits, in defence of its infant industries. Such duties must in any case be removed by 1984. Very limited use has so far been made of this facility which seems incompatible with full membership, maybe because disarmament with respect to most of the really sensitive sectors has only recently reached a significant depth.

In this context should also be mentioned the Greek import deposit scheme which applies fully to imports from third countries and partially to imports from the EEC. This scheme is intended to be phased out by 1984.

Moreover, Greece appears to apply to its industries an extensive system of aids. In so far as some of these should prove incompatible with the common market, detailed studies would be required to estimate the impact on the sectors concerned of the removal of this element of protection.

[...]

E. The common agricultural policy

22. The extension of the customs union to agricultural products is foreseen under the provisions of the Association Agreement, which provides that the functioning and development of the Association in the agricultural sector shall be accompanied by the harmonization of the agricultural policies of Greece and the Community. This harmonization on which progress was stopped in 1967 is to be accomplished by 1 November 1984, entailing the adoption by Greece of the full provisions of the CAP, and in particular the EEC system of price guarantees, intervention levels, and export restitutions.

Meanwhile, Greek agricultural exports to the EEC are governed by a special series of arrangements based either on the protocols annexed to the Athens Agreement, or on decisions taken thereafter within the framework of the Association.

Currently, most of Greece's agricultural exports to the Community benefit from complete exemption from customs duties where these still exist under the CAP. However, some mechanisms such as import levies are applied with respect to Greece, albeit using special criteria in the case of certain products.

As far as Membership is concerned the Commission considers that Greece must adopt, in the agricultural sector, the CAP as it stands. It is likely that this adoption will raise certain problems.

[...]

While the area under cultivation in a Community enlarged to include Greece will increase by close to 10%, and the farming population by a little over 12%, the number of farm units will increase by 19%. The output per person engaged in agriculture in Greece is about 40% only of the Community average. Agriculture contributes about 16% to the gross domestic product at market prices in Greece, and employs 36% of the population, whilst in the Community it contributes about 5% to GNP and employs about 9% of the working population.

The product coverage of Greek agriculture is not substantially different from that of the Community although there are differences as to the relative importance of a number of products. Milk, for instance, in 1972 accounted for 18% of agricultural production in the Community, compared to only 3% in Greece, whereas, for instance, the production of vegetable oils accounts for slightly more than 1% in the Community as compared to more than 10% in Greece. It should be noted that some of the Greek products that have hitherto given rise to difficulties on the Community market are a relatively small part of current Greek

domestic output: conversely, Greece is an importer of a number of products such as meat, dairy products and sugar.

This said, there is clearly a likelihood that the inclusion of Greece in the Community will lead to certain regional problems, seasonally aggravated, in the Community itself, arising from the nature of Greek agricultural production, its response to the application of a CAP and the lack of intervention mechanisms for the products concerned.

Greek entry should not give rise either to major changes in the level of the Community's self-sufficiency for agricultural products nor confront the different kinds of market organization within the Community with a substantially different situation.

With the exception of certain products, such as oriental tobacco, some fresh and processed fruit and vegetables, and olive oil, such changes as will result are smaller than the normal annual variations in Community production. The Community is, however, not at present self-sufficient in any of the three product groups mentioned, and even after Greek entry it would seem that important quantities would still have to be imported, except in the case of a limited number of specific products. It is probable, however, that the application of the CAP to Greece will lead to increased production in which case the level of self-sufficiency might undergo bigger changes. In particular this could be the case for fruit and vegetables and wine.

Greek agricultural prices to the producer are in many cases (in particular for fruit and vegetables and wine) considerably lower than in the Community. For other products (like some cereals) there is no, or only a negligible, difference between producer prices in Greece and in the Community.

In certain sectors where some individual product prices are similar in Greece and in the Community the price ratios between other products within the same category can be substantially different from those in the Community (e.g. cereals). Higher price levels and the guarantee system for certain products in the Community will also, working in a substantially different structural context, stimulate production in Greece on a selective basis. Given the considerable difference between the structure of agriculture in Greece and the EEC, abrupt modifications of the prices paid to Greek producers which are not accompanied by changes in the structure of Greek agriculture could create imbalance as regards incomes of different categories of agricultural producers.

23. For the Community, the main incidence of Greek membership in the agricultural sector is likely to be financial. The overall volume of Community interventions on both guarantee and guidance sections of the EAGGF, on the national assumptions of immediate implementation of 1975 prices and market regulations to current production, can be estimated at an annual 280 million u.a. or about 5% of 1976 budgeted expenditure for the EAGGF.

As regards the guidance section, it is clear that the current state of Greek agriculture presents a more serious structural problem than those prevailing in any Member State. Farm holdings, which are generally small, are typically fragmented into unconnected plots, which in turn impedes the adoption of modern technology. These difficulties are aggravated by the absence of appropriate marketing facilities and in particular an insufficiently developed network of cooperatives. For these reasons, Community guidance expenditure is likely to have to increase by much more than the proportionate increase in the agricultural area (10%) and the increase in the total population engaged in agriculture (12%). It seems reasonable to assume that this proportion would increase by half to about 18%, which gives an illustrative figure, based on the 1976 budget, of some 60 million u.a. This figure implies corresponding expenditure of up to three times this amount by the Greek authorities, since guidance expenditure is subject to certain rules of matching.

[...]